

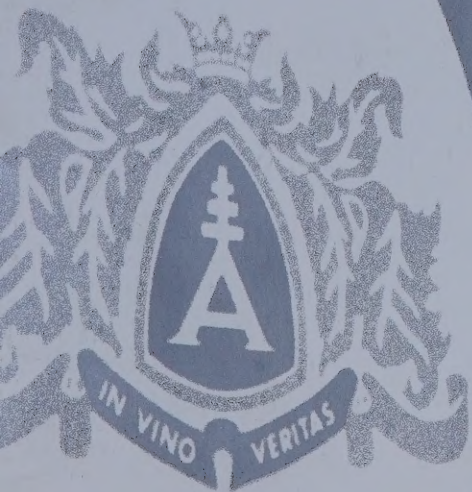
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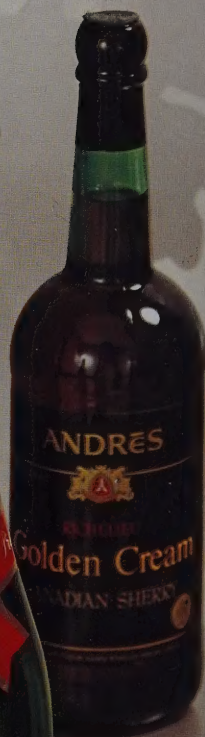
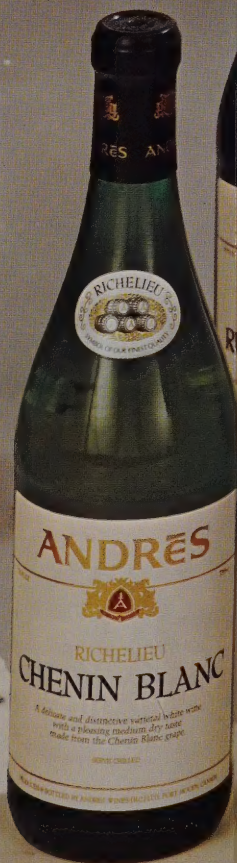
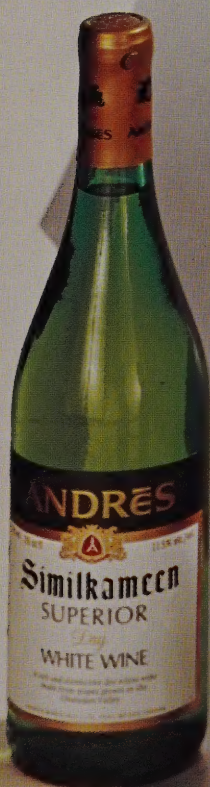
ANDRĒS
wines ltd.

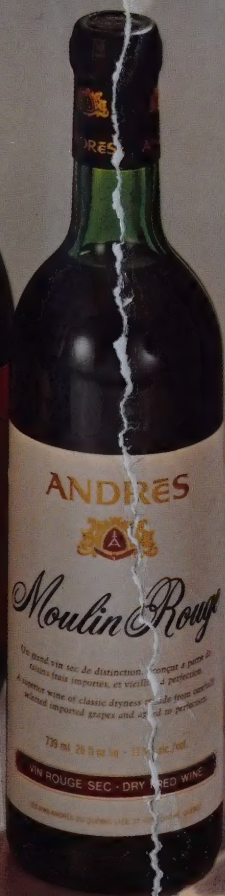
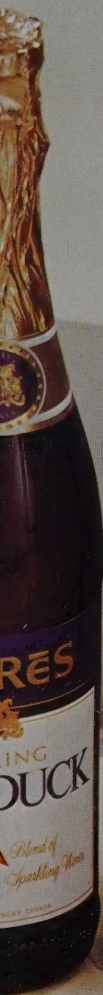
annual report

march 31, 1976

Can Corp







The Year in Review

(in thousands dollars)

	1976	1975
Sales	19,652	16,174
Depreciation	711	681
Income Taxes	1,185	1,047
Net Earnings	1,442	1,232
Net Earnings per share (in dollars)		
— Basic	1.47	1.27
— Fully Diluted	1.33	1.13
Dividends	602	595
— per preferred share60¢	.60¢
— per common share60¢	.60¢
Total Assets	24,883	23,327
Shareholders' Equity	8,312	7,443

Sales

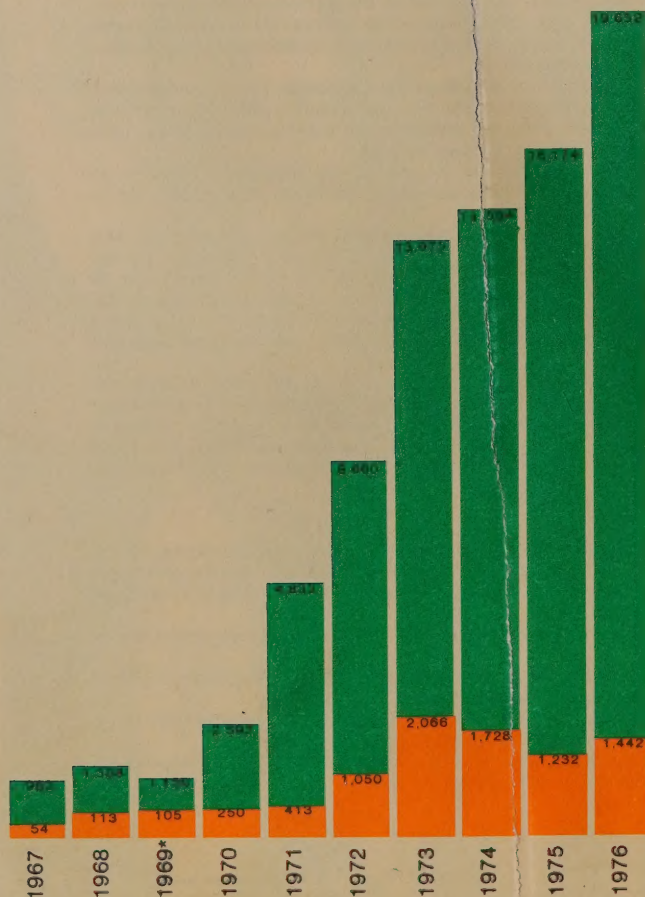
Net Earnings

(in thousands dollars)

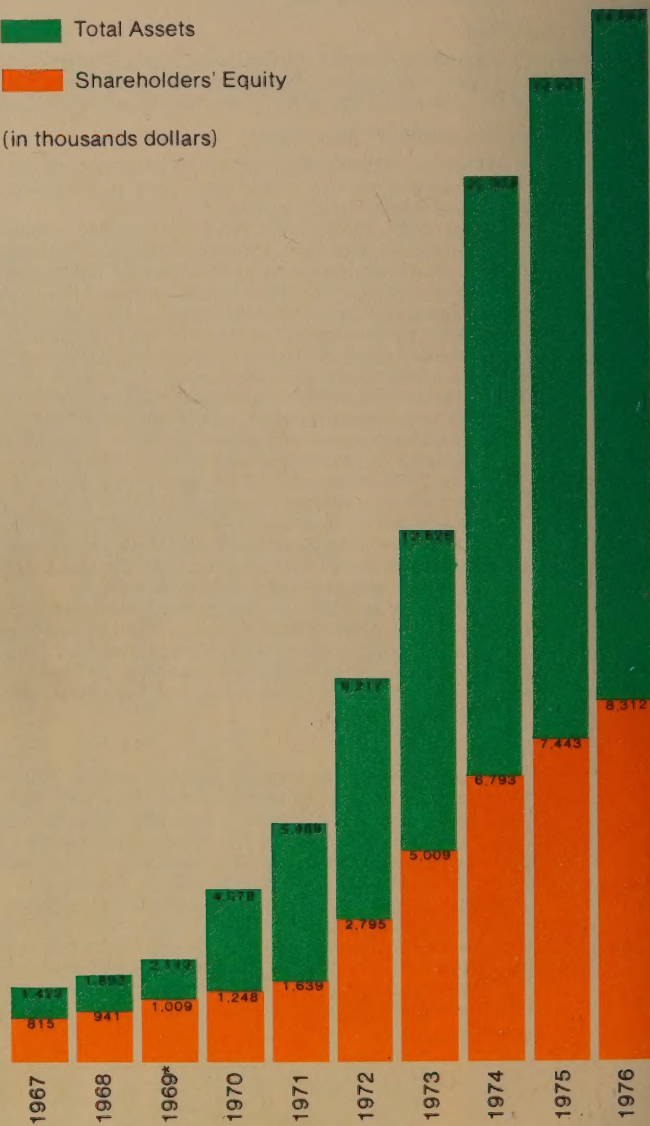
Total Assets

Shareholders' Equity

(in thousands dollars)

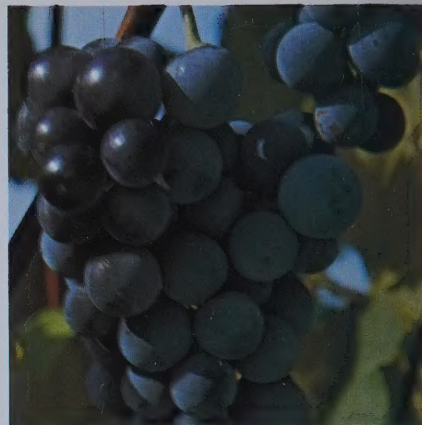


* Represents 7 months only



* Represents 7 months only





Consolidated Statement of Earnings

For the Year Ended March 31, 1976

	1976 \$	1975 \$
SALES	19,651,659	16,174,042
COSTS AND EXPENSES		
Manufacturing, selling and administration	15,737,903	12,511,566
Depreciation	711,030	681,273
Interest on long-term debt	463,975	582,130
Amortization of deferred charges	19,654	22,532
	<u>16,932,562</u>	<u>13,797,501</u>
	2,719,097	2,376,541
PROVISION FOR INCOME TAXES		
Current	1,136,000	877,000
Deferred	49,000	170,000
	<u>1,185,000</u>	<u>1,047,000</u>
	1,534,097	1,329,541
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES	92,636	97,287
NET EARNINGS FOR THE YEAR	<u>1,441,461</u>	<u>1,232,254</u>
EARNINGS PER COMMON SHARE (Note 7)		
Basic	<u>\$1.47</u>	<u>\$1.27</u>
Fully diluted	<u>\$1.33</u>	<u>\$1.13</u>

Consolidated Statement of Retained Earnings

For the Year Ended March 31, 1976

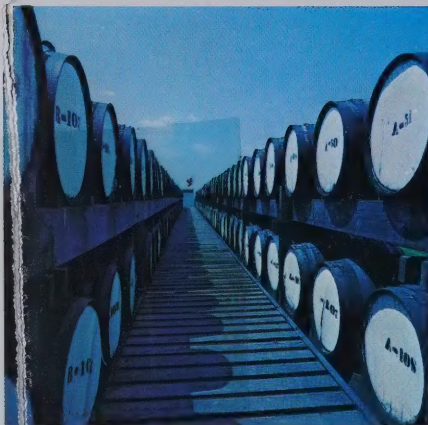
	1976 \$	1975 \$
BALANCE — BEGINNING OF YEAR	5,930,223	5,293,435
Net earnings for the year	1,441,461	1,232,254
	<u>7,371,684</u>	<u>6,525,689</u>
Dividends — Common	582,009	575,477
— Preferred	19,989	19,989
	<u>601,998</u>	<u>595,466</u>
BALANCE — END OF YEAR	<u>6,769,686</u>	<u>5,930,223</u>



Consolidated Statement of Changes in Financial Position

For the Year Ended March 31, 1976

	1976 \$	1975 \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	1,441,461	1,232,254
Items not affecting working capital —		
Depreciation	711,030	681,273
Amortization of deferred charges and other assets	19,654	22,532
Deferred income taxes	49,000	170,000
Minority interest in net earnings of subsidiary companies	92,636	97,287
Provided from operations	<u>2,313,781</u>	<u>2,203,346</u>
Decrease in agreement receivable	3,079	1,081
Increase in long-term debt	315,836	—
Proceeds on issue of common shares	30,136	12,916
	<u>2,662,832</u>	<u>2,217,343</u>
USE OF WORKING CAPITAL		
Additions to fixed assets (net)	517,328	461,498
Purchase of shares of subsidiary companies	—	7,975
Increase in deferred charges	—	16,970
Repayment of long-term debt	677,079	685,704
Dividends	601,998	595,466
Dividends paid to minority shareholders	24,701	20,272
	<u>1,821,106</u>	<u>1,787,885</u>
INCREASE IN WORKING CAPITAL	841,726	429,458
WORKING CAPITAL — BEGINNING OF YEAR	4,043,103	3,613,645
WORKING CAPITAL — END OF YEAR	<u>4,884,829</u>	<u>4,043,103</u>



Consolidated Balance Sheet as at March 31, 1976

Assets

	1976 \$	1975 \$
CURRENT ASSETS		
Accounts receivable	2,321,669	1,892,837
Inventories of wine and supplies — at the lower of cost and net realizable value	12,976,467	11,491,423
Prepaid expenses	246,545	239,886
Income taxes recoverable	—	147,916
	<u>15,544,681</u>	<u>13,772,062</u>
7% AGREEMENT RECEIVABLE ON SALE OF LAND		
— Due September 1, 1984	<u>28,000</u>	<u>31,079</u>
FIXED ASSETS		
Land, buildings, machinery and equipment — at cost less accumulated depreciation (Note 2)	9,250,693	9,436,811
Leasehold improvements — at cost less accumulated amortization	<u>26,553</u>	<u>34,577</u>
	<u>9,277,246</u>	<u>9,471,388</u>
DEFERRED CHARGES —		
at cost less accumulated amortization	32,996	52,210
Signed on behalf of the board	<u>24,882,923</u>	<u>23,326,739</u>
J. A. Peller, Director		
G. R. Dawson, Director		



Liabilities

	1976 \$	1975 \$
CURRENT LIABILITIES		
Bank advances (Note 3)	8,451,173	7,256,041
Accounts payable and accrued liabilities	857,534	907,276
Dividends payable	146,083	144,238
Income and other taxes payable	534,862	735,704
Current portion of long-term debt	670,200	685,700
	<u>10,659,852</u>	<u>9,728,959</u>
LONG-TERM DEBT (Note 4)	3,945,877	4,307,120
DEFERRED INCOMES TAXES (Note 5)	1,233,500	1,184,500
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES (including \$323,360 applicable to preferred shares — 1975 — \$324,515)	<u>731,324</u>	<u>663,389</u>
	<u>16,570,553</u>	<u>15,883,968</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
250,000 Preferred shares of the par value of \$10 each, issuable in series, of which 125,000 are designated as Series A 6% cumulative pre- ferred shares, redeemable at a 6% premium		
3,000,000 Common shares without par value		
Issued and fully paid		
33,315 Series A preferred shares	333,150	333,150
973,890 Common shares (Note 6)	1,209,534	1,179,398
	<u>1,542,684</u>	<u>1,512,548</u>
RETAINED EARNINGS	<u>6,769,686</u>	<u>5,930,223</u>
	<u>8,312,370</u>	<u>7,442,771</u>
	<u>24,882,923</u>	<u>23,326,739</u>

Notes to Consolidated Financial Statements

For the Year Ended March 31, 1976

1. SUMMARY OF ACCOUNTING POLICIES

Consolidation

These financial statements include the accounts of Andrés Wines Ltd. and its subsidiaries; Andrés Wines (Alberta) Ltd., Andrés Wines Atlantic Ltd., Andrés Wines (B.C.) Ltd., and Les Vins Andrés du Québec Ltée.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable value. Cost is determined on an average cost basis.

Fixed Assets

Fixed assets are stated at cost. Depreciation is calculated on the straight line basis over the estimated useful lives of the assets.

Deferred Charges

Deferred charges are being amortized on a straight line basis between five and ten years.

Income Taxes

The financial statements include an appropriate provision for all income taxes for the year regardless of when such taxes are payable. Current income taxes payable have been provided in accordance with income tax regulations. Deferred income taxes arise principally from claiming capital cost allowances in excess of depreciation charged to earnings.

2. FIXED ASSETS

	1976		1975	
	Cost \$	Accumulated Depreciation \$	Net \$	Net \$
Land.....	544,446	—	544,446	564,002
Buildings.....	4,432,847	504,173	3,928,674	3,932,242
Machinery and equipment	<u>7,529,898</u>	<u>2,752,325</u>	<u>4,777,573</u>	<u>4,940,567</u>
	<u>12,507,191</u>	<u>3,256,498</u>	<u>9,250,693</u>	<u>9,436,811</u>

3. SECURITY FOR BANK ADVANCES

Book debts have been pledged as security for bank advances. The company and certain subsidiaries have also given a fixed and floating charge debenture on all assets as collateral security for the bank advances. This debenture is subordinate to the long-term debt (Note 4) except for the 9% first mortgage bonds and 11-1/4% mortgage bonds.

4. LONG-TERM DEBT

Bank loan repayable in monthly instalments of \$31,667 plus interest at prime bank rate plus 1-3/4%.....

	1976 \$	1975 \$
	649,990	1,029,994

Promissory notes due in equal instalments on January 1, 1978 and 1979, with interest payable semi-annually at prime bank rate plus 1/2%.....

Debentures due in equal instalments on January 1, 1980 and 1981 with interest payable semi-annually at prime bank rate plus 1/2%.....

Non-interest bearing debenture due January 1, 1981.....

Mortgage repayable in semi-annual instalments of \$90,000 plus interest at prime bank rate plus 1/2%.....

11-1/4% Mortgage bonds repayable in quarterly instalments of \$21,250 plus interest

9% First mortgage bonds, Series A, repayable in quarterly instalments of \$6,300 plus interest.....

10% Debentures due May 15, 1980 with interest payable semi-annually.....

6% Mortgage repayable on November 14, 1982, with interest payable semi-annually

9-1/4% Serial debenture, repayable in quarterly instalments of \$2,875 plus interest.....

9% Mortgage repayable in annual instalments of \$4,000 plus interest.....

Less: Current portion.....

5. FUTURE INCOME TAXES

A subsidiary company has accumulated losses for tax purposes amounting to \$960,000 which may be carried forward to reduce taxable income in future years. These losses must be claimed no later than:

	\$
Year ending December 31, 1977.....	18,000
1978.....	452,000
1979.....	210,000
1980.....	182,000
1981.....	98,000
	<u>960,000</u>

1976
\$

1975
\$

1,231,252 1,231,252

1,209,349 1,209,349

300,000 300,000

360,000 540,000

361,250 446,250

113,400 138,600

75,000 75,000

315,836 —

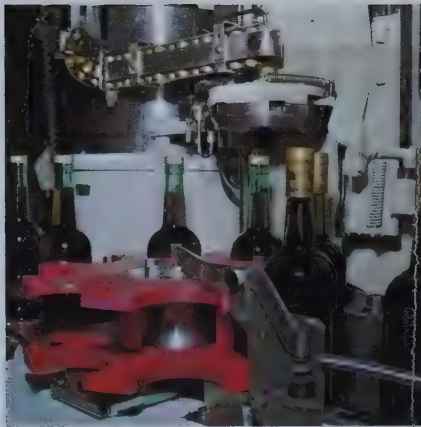
— 14,375

— 8,000

4,616,077 4,992,820

670,200 685,700

3,945,877 4,307,120



The future tax benefit of \$341,000 relating to \$490,000 of these losses and \$326,000 of depreciation not claimed for tax purposes during the period of control by Andrés Wines Ltd. has been recorded in the accounts and has been offset against the liability for deferred taxes.

The future tax benefit relating to \$470,000 of these losses and \$104,000 of depreciation prior to acquisition of the subsidiary has not been recorded in the accounts.

The realization of these tax benefits is dependent on the future profitability of the subsidiary.

6. STOCK OPTIONS

Outstanding options granted for the purchase of common shares are as follows:

Number of Common Shares Subject to Option	Exercise Price per Share \$	Expiry Date
15,028	2.45	November 18, 1981
104,854	3.00	March 31, 1982

Outstanding options include 113,400 common share options granted to directors and officers.

An additional 25,898 common shares have been reserved for future options but have not yet been granted.

During the year, options on 12,300 common shares were exercised, including 10,400 common shares for directors and officers at the option price of \$2.45 per common share.

7. EARNINGS PER COMMON SHARE

Earnings per common share have been calculated after providing for the 6% cumulative preferred share dividends using the weighted average number of common shares outstanding during the year.

The calculation of fully diluted earnings per common share assumes the exercise of the options granted under stock option agreements mentioned in Note 6 and investment of the proceeds at 10% (1975 — 11%), less applicable income taxes.

8. LEASE COMMITMENTS

The company has entered into lease agreements with varying expiry dates to March 31, 1980 for certain buildings and equipment. The annual lease payments required are as follows:

	\$
Year ending March 31, 1977	199,600
1978	130,400
1979	14,200
1980	10,600
	<u>354,800</u>

9. DIVIDEND RESTRICTIONS

Under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975 it appears that the amount of dividends which the company can declare or pay during the period from March 31, 1976 to October 13, 1976 will be limited to \$.45 per common share and \$.30 per preferred share.

10. STATUTORY INFORMATION RE DIRECTORS AND OFFICERS

Information required by Section 122.2 of The Canada Corporations Act is:

- There were eleven directors whose aggregate remuneration was \$9,400 (1975 — eleven directors; \$9,000).
- There were nine officers whose aggregate remuneration as officers was \$407,866 (1975 — nine officers; \$366,900).
- The number of officers who were also directors was four.

AUDITORS' REPORT TO THE SHAREHOLDERS

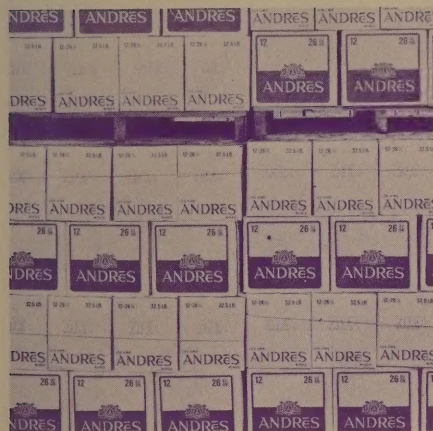
We have examined the consolidated balance sheet of Andrés Wines Ltd. and its subsidiaries as at March 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Andrés Wines Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of one subsidiary, Andrés Wines Atlantic Ltd.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 25, 1976.

COOPERS & LYBRAND,
Chartered Accountants.





Ten Year Summary

	1976	1975	1974	1973	1972	1971	(Seven Months) 1970	1969	1968	1967
INCOME STATISTICS (in thousands dollars)										
Sales.....	19,652	16,174	14,534	13,975	8,660	4,832	2,592	1,129	1,358	983
Income Taxes.....	1,185	1,047	1,215	1,957	1,023	461	200	75	53	7
Net Earnings before Minority Interest.....	1,534	1,330	1,835	2,154	1,121	452	296	105	89	55
Net Earnings.....	1,442	1,232	1,728	2,066	1,050	413	250	105	113	54
Net Earnings (in dollars)										
Per Common Share										
— Basic.....	\$1.47	\$1.27	\$1.84	\$2.53	\$1.48	\$.572	\$.335	\$.123	\$.136	\$.052
— Fully Diluted.....	\$1.33	\$1.13	\$1.62	\$1.93	\$1.03	\$.533	\$.335	\$.123	\$.136	\$.052
DIVIDEND RECORD (in dollars)										
Per Preferred Share.....	\$.60	\$.60	\$.60	\$.60	\$2.10	—	\$.35	\$.70	—	—
Per Common Share.....	\$.60	\$.60	\$.30	—	—	—	—	—	—	—
BALANCE SHEET STATISTICS (in thousands dollars)										
Working Capital (deficiency)...	4,885	4,043	3,614	3,065	2,063	1,443	1,544	428	402	(11)
Fixed Assets (net).....	9,277	9,471	9,698	4,830	3,740	2,371	1,747	1,009	956	682
Long-Term Debt.....	3,946	4,307	4,993	2,161	2,617	1,978	1,961	412	441	87
Minority Interest.....	731	663	601	498	412	347	267	222	236	54
Shareholders' Equity.....	8,312	7,443	6,793	5,009	2,795	1,639	1,248	1,009	941	815
Total Assets.....	24,883	23,327	20,938	12,626	9,217	5,489	4,078	2,113	1,893	1,422
NUMBER OF SHARES OUTSTANDING										
Preferred Shares—Series A...	33,315	33,315	33,315	33,315	33,315	33,315	33,315	33,211	33,155	32,433
Common.....	973,890	961,590	956,318	831,681	762,781	687,681	687,681	686,401	677,277	669,942

Note: The year end was changed from August 31st to March 31st in 1969.

DIRECTORS

E. S. Arnold, Beamsville, Ontario
G. R. Dawson, Vancouver, B.C.
G. S. Dembroski, Toronto, Ontario
R. D. Garon, St. Hyacinthe, Quebec
C. O. Nickle, Calgary, Alberta
C. Norwood, Halifax, Nova Scotia
A. Peller, Ancaster, Ontario
J. A. Peller, M.D., F.R.C.P.(C),
Ancaster, Ontario
W. J. Walsh, M.D., F.R.C.P.(C),
Hamilton, Ontario

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company
Montreal, Toronto, Calgary and Vancouver

OFFICERS

A. Peller, *Chairman of the Board*
J. A. Peller, *President*
P. A. W. Green, *Senior Executive Vice-President*
E. S. Arnold, *Executive Vice-President*
D. W. Campbell, *Vice-President, Marketing*
R. M. Logan, *Vice-President, Atlantic Division*
N. D. Smith, *Vice-President, Finance and Secretary*

AUDITORS

Coopers & Lybrand

BANKER

The Royal Bank of Canada

HEAD OFFICE

Winona, Ontario

PLANT LOCATIONS

(including subsidiaries)

Port Moody, British Columbia
Calgary, Alberta
Morris, Manitoba
Winona, Ontario
St. Hyacinthe, Quebec
Truro, Nova Scotia



